

Interest-free education loans for students soon

Students would soon be able to take interest-free loans till they complete higher studies with the government planning to allocate Rs.40 billion for the purpose, a government official said.

The human resource development (HRD) ministry has proposed the amount, which would be used for the 11th five-year plan ending 2012, the official, who did not want to be identified, said.

A senior HRD ministry official confirmed that the proposal has been approved by the finance ministry.

'The matter will come before the Cabinet Committee on Economic Affairs (CCEA) for approval sometime this month,' said an official.

'We will ensure that the scheme is implemented from the new academic session starting in July this year,' said an HRD official.

Under the scheme, the government would pay the interest for the loan amount sanctioned to any student, till six months after they complete their course.

'After students complete their course, they would get a grace period of six months after which they will have to pay interest on the amount sanctioned to them as education loan,' said a senior finance officer of the HRD ministry.

Banks currently charge between 15 and 18 percent interest on the amount sanctioned to students as education loan.

Government agencies have already begun talks for tie-up with leading banks and financial institutions that are offering education loans for higher education, especially professional courses.

The government will not act as guarantor for the loans, the official clarified.

'The banks will decide if they wish to provide education loan to a student or not. The banks need to be sure about the recovery of the loan sanctioned to students. Our role will be limited only to helping eligible students whose loans are cleared by banks through the new scheme,' added the official.

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